

28 November – 1 December 2004

Xth Accident Compensation Seminar

2004



Institute of Actuaries of Australia

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Redesigning Macedonian CTP: a case study

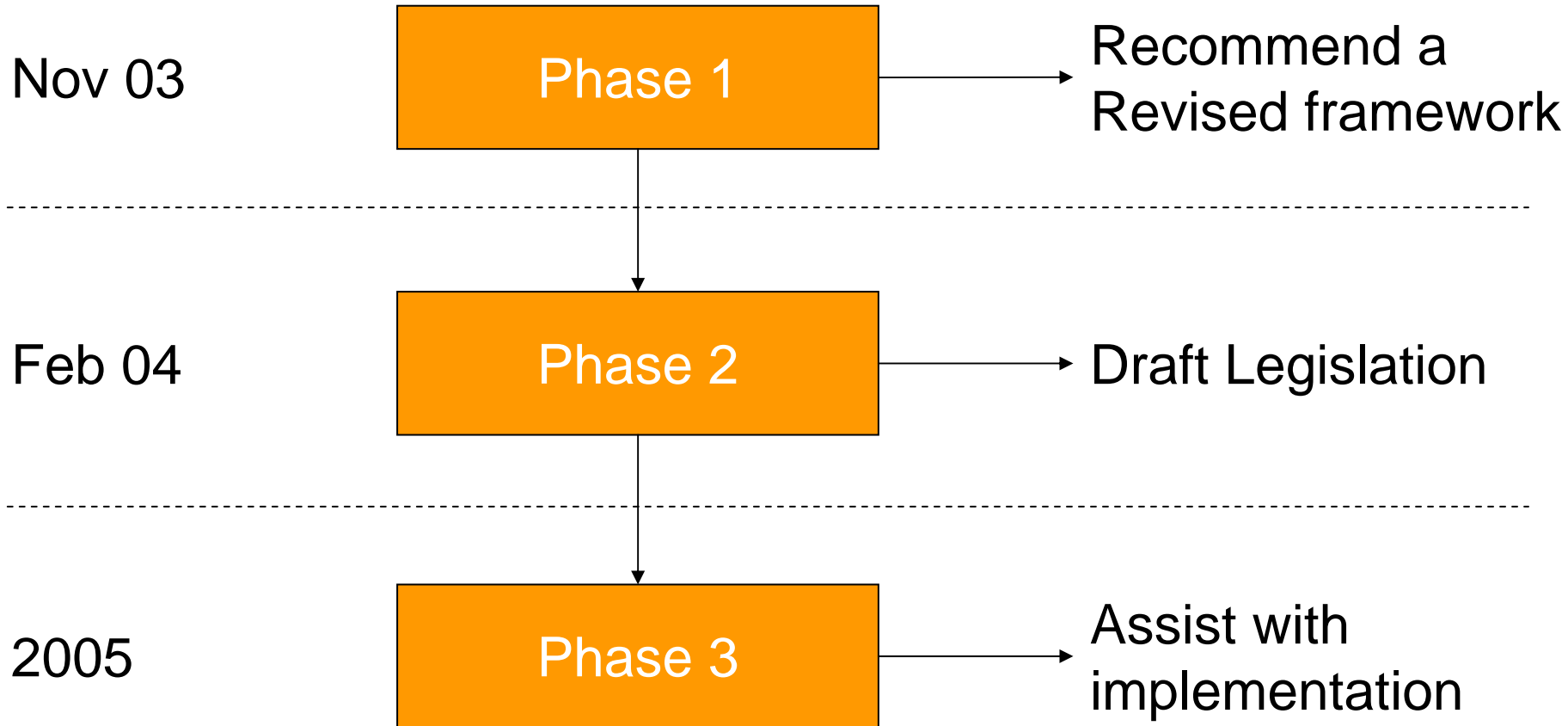
Amanda Goodban, Trowbridge Deloitte



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3 phased project





FYR Macedonia





High level of uninsured vehicles

- 20 % of vehicles uninsured
- Cost of annual registration and insurance equivalent to one month's average salary
- Penalties for non-compliance low
- No decal sticker system in operation
- No database of vehicle registration or insurance details



Antiquated distribution system

- TPL sold almost exclusively through technical service stations
- TPL premium bundled with registration fee
- No price competition
- No control over volume sold
- Contrary to the existing law regulating insurance intermediaries.



Sharp increase in litigation

- Amounts offered by insurers in settlement significantly below court awards
- Slow and expensive resolution of claims
- Escalating claims costs



Premiums controlled by Government

- Industry proposed increases have been declined in recent years
- All drivers now charged the maximum regardless of individual risk
- Premiums are inadequate to cover escalating claims costs



Concerns about the viability of some insurers

- Liability reserving requirements may significantly underestimate the cost of claims
- Assets backing the technical reserves illiquid and doubt about realisability of assets
- Some insurers have insufficient premium income to participate in reinsurance



High systemic risk

- The operation of a guarantee fund means that the failure of one insurer will have an impact on the financial viability of other insurers in the market



How important was efficiency?

Objectives of reforms

1. Premiums adequate to cover the cost of providing TPL
2. Premiums remain affordable to the insuring public
3. Motor accident victims are treated fairly and equitably
4. Improving compliance with EU Directives
5. Reducing the number of uninsured vehicles
6. Encouraging development of the insurance market
7. Reducing the burden on courts and the judiciary
8. Ensuring that the TPL system does not undermine the financial viability of insurance companies
9. Reforms are understandable to stakeholders and the community
10. Improving public confidence in the Macedonian insurance system



Summing Up

- Good regulators are just as important as good regulation
- Balancing stakeholder interests is a key consideration for all schemes.
- Environmental factors are a key determinant in scheme design.